

A muddied picture in our supply chain

WHAT CONSTITUTES supply chain efficiency? It is difficult question to answer because, at the moment, the logistics situation in New Zealand is presenting a fairly muddied picture.



Dave MacIntyre

On the one hand we have the recent announcement by Nexus Logistics, a joint venture between Ports of Auckland Ltd (POAL) and Netlogix Ltd, that it is seeking to "optimise the flow of goods into, out of and around the country" by creating a freight hub network that serves the metro, regional and interisland markets.

Nexus says it will work with all New Zealand ports to help achieve this goal of supply chain efficiency.

It's a laudable goal.

Yet, on the other hand, there is a perception of inefficiency actually increasing in respect of container utilisation throughout New Zealand.

Judging by my mailbag, it's fair to say that a lot of criticism is being stirred up by the amount of unforeseen "empty running" that is being created around New Zealand following the three-way deal involving Kotahi, Maersk and Port of Tauranga.

Last week, analysing the announcement that the flagship Maersk Triple Star Service linking South East Asia to New Zealand is going to a "demand-driven" frequency between June and August this year, I summarised the oddity of the logistics flow that has arisen northbound and southbound.

The overall scene for most of the year is one of Maersk carrying empty boxes southbound in order to carry full export loads, while the other carriers bring in full import containers and scratch around for northbound loads, due to their being locked out of the Kotahi contract.

What is also happening is a flow of these empty boxes internally in New Zealand, as they are positioned either to or from pack points.

It is a peculiar situation which was remarked upon by a mailbag correspondent this week. This reader, a shipper, has been meeting many people in the industry while setting up a new project and was moved to write:

"A consistent message I am getting is that the new arrangement is causing more empty boxes being repositioned back to Asia that would previously have been used for dairy products. It is also clear that product is being freighted around the country more than usual."

Interestingly, he finished up with the comment: "I would think the farmers would like to know the actual position/whole story."

I say "interestingly" because that comment resonates with the parting shot of another reader I quoted last week who said "How much bad transport/logistics has this created and how much opportunity freight savings have the New Zealand farmers missed out on?"

The shipper's comments I am quoting this week could not have been inspired by that quote, simply because his email was sent prior to the publication of last week's column. So two correspondents from different perspectives within the freight industry have reached similar critical conclusions.

It is ironic that this discussion about inefficient empty running should be happening at a point where Taranaki exporters are complaining that a glaring hole exists in New Zealand's regional container services.

They are being hit in the pocket and some may have to relocate if a container shipping service cannot be re-established at Port Taranaki.

The principal reason they don't have a mainline container service in Taranaki is that Fonterra stopped using the port in 2009 in order to hub its North Island export cargoes elsewhere, principally Tauranga, Auckland and Napier.

As a result, Maersk stopped calling in 2011 and Pacifica's coastal feeder finally exited in 2014.

The decision to hub was made in the interests of overall supply chain efficiency for Fonterra, and was a precursor to the push towards the introduction of "big ships" in the 6500-TEU range, which Fonterra strongly supports.

The key point here one could argue is that the supply chain efficiency that was sought was principally for Fonterra alone. If other exporters and importers have seen an opportunity to benefit, that is well and good, but basically that has been a by-product.

The decision was not one for "New Zealand Inc". Taranaki exporters and importers certainly don't think so. They now have to rely on road and rail to access port gateways.

Hence it is understandable that a baking products firm and a finished wood products manufacturer in Taranaki have joined forces with regional development agencies to

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SOUTHERN LILY	359	17 Jun	23 Jun	24 Jun	28
SOUTHERN LILY	360	1 Jul	7 Jul	8 Jul	12

NZ - FIJI

				LYTELTON*	TAURANGA
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Commentary

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lobby for container vessels to return to New Plymouth.

The picture becomes real when one talks about the impacts on these businesses. Taranakipine estimates its added costs of about \$400,000 a year have made the company less competitive across all its markets.

The position of Taranaki exporters, left stranded without a container service, emerged in the context of the long-term plan hearings for the port's owner Taranaki Regional Council, where the council was being asked what it could do to get a container service up and running again.

Unfortunately, the answer is not much. Venture Taranaki has calculated that exporters in the region would need to generate 150 containers a week to make a new service viable.

Taranakipine said it could contribute 30 per week but without dairy exports, it appears that the target threshold can't be achieved by other exporters. Neither is it likely that dairy exports will reappear to offer hope to local businesses.

Port Taranaki chief executive Guy Roper was quoted as saying late last year that "they don't see value in shipping containers via New Plymouth at the present time".

There have also been calls from Taranaki for a New Zealand freight plan to be devised but that's not going to happen either because to do so would be a case of Government interfering in the free market.

Perhaps Nexus will have some comment on what can be done for the disenfranchised traders of Taranaki, given it is saying it is trying to create a cost-effective nationwide model with a comprehensive combination of road, rail and coastal transport capabilities.

At the moment, the Taranaki

situation suggests we don't have an efficient nationwide model that caters for all our regions.

And as the criticisms of the empty running situation reveal, even those decisions made for the supply chain efficiency of a major shipper, may have unforeseen inefficient consequences for the supply chains of others.

Footnote: I see that Australia has overtaken China as New Zealand's number one export destination, according to data from Statistics NZ. One would expect that our main tradelane would be the focus for several shipping lines. It is interesting therefore to note this is a trade that is now served entirely by crossover vessels apart from a sole specialist container carrier — ANL's new Tranztas service — and Swire's multipurpose service.

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OLOMANA	040	Closed	Sailed
LILOA	038	29 May	3 Jun
OLOMANA	041	12 Jun	18 Jun
LILOA	039	26 Jun	2 Jul
OLOMANA	042	10 Jul	16 Jul

SAMOA TONGA					
Vessel	Voyage	LCL cut-off	Tauranga	Auckland	A
LILOA	037	Closed	Sailed	Sailed	S
OLOMANA	040	Closed	Sailed	Sailed	2
LILOA	038	29 May	3 Jun	4 Jun	14
OLOMANA	041	12 Jun	18 Jun	19 Jun	28
LILOA	039	26 Jun	2 Jul	3 Jul	12
OLOMANA	042	10 Jul	16 Jul	17 Jul	26

COOK ISLANDS				
Vessel	Voyage	LCL cut-off	Tauranga	A
OLOMANA	040	Closed	Sailed	
LILOA	038	29 May	3 Jun	
OLOMANA	041	12 Jun	18 Jun	
LILOA	039	26 Jun	2 Jul	
OLOMANA	042	10 Jul	16 Jul	

NIUE				
Vessel	Voyage	LCL cut-off	Tauranga	A
LILOA	037	Closed	Sailed	
LILOA	038	29 May	3 Jun	
LILOA	039	26 Jun	2 Jul	
LILOA	040	24 Jul	30 Jul	
LILOA	041	21 Aug	27 Aug	



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